

**FEDERAL**

**December 2, 2005**

**PERMIT  
C/007/0005**

**STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING  
1594 West North Temple  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5340**

This permit, C/007/0005, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

**Canyon Fuel Company, LLC  
225 North 5<sup>th</sup> Street, Suite 900  
Grand Junction, Colorado 85101**

for the Skyline Mine. Canyon Fuel Company, LLC is the lessee of federal, state and fee-owned property. A performance bond is filed with the DOGM in the amount of \$5,076,00.00, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

**Sec. 1 STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

**Sec. 2 PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Skyline Mine situated in the state of Utah, Carbon County, and located:

**Township 12 South, Range 6 East, SLBM**

Section 26: S1/2SE1/4, SE1/4SW1/4,  
Section 34: Lots 1-4, S1/2NE1/4, SE1/4NW1/4,  
E1/2SW1/4NW1/4,N1/2S1/2;  
Section 35: All

**Township 13 South, Range 6 East, SLBM**

Section 2: All,  
Section 3: All,  
Section 10: All,

Section 11: All,  
Section 12: SW<sup>1</sup>/<sub>4</sub>SW<sup>1</sup>/<sub>4</sub>, NW<sup>1</sup>/<sub>4</sub>SW<sup>1</sup>/<sub>4</sub>,  
Section 13: W<sup>1</sup>/<sub>2</sub>, portion of SE<sup>1</sup>/<sub>4</sub> associated with coal conveyance system,  
Section 14: All,  
Section 15: All,  
Section 22: All,  
Section 23: All,  
Section 24: All area west of Connelville Fault,  
Section 25: All area west of Connelville Fault, All area associated with buried power line,  
Section 26: All,  
Section 27: All,  
Section 34: All,  
Section 35: All area west of Connelville Fault, and  
Section 36: All area west of Connelville Fault, All area associated with buried power line.

**Township 13 South, Range 7 East, SLBM**

Section 4: Portion of SW<sup>1</sup>/<sub>4</sub>, Portion of NW<sup>1</sup>/<sub>4</sub> (includes access roads and area associated with a waste rock disposal site)  
Section 5: Portion of NE<sup>1</sup>/<sub>4</sub> (includes access roads and area associated with a waste rock disposal site)  
Sections 17 and 18: All or portions of these sections which also includes areas for use as access roads and rail loading facilities. Rights of way and surface easements are also included for construction of a coal conveyance system from the mine portal area down Eccles Canyon to the coal storage and loadout facility at the mouth of its canyon.

**Township 14 South, Range 6 East, SLBM**

Sections 2 and 3: A parcel of land commencing at the section corners of Sections 33 and 34, Township 13 South, Range 6 East and Sections 3 and 4, Township 14 South, Range 6 East, Salt Lake Base Meridian, thence East along the North boundary of Section 3 for a distance of 3,650 feet, more or less, herein called the point of beginning for this tract; thence South 20° 00' 00" East along the west line of the tract for 5,800 feet, more or less, thence 90° 00' 00" East along the south line of the tract for 1,800 feet, more or less, thence North 21° 00' 00" East along the east line of the tract for 5,800 feet, more or less, thence North 90° 00' 00" West along the north line of the tract for 5,700 feet, more or less, to the point of beginning and containing 459 acres, more or less.  
Section 3: Portion of the NE<sup>1</sup>/<sub>4</sub> associated with a buried water line.

This legal description is for the permit area of the Skyline Mine included in the mining and reclamation plan on file at the Division as shown on Drawing 1.6-3 Skyline Mines Permit Area. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of the leases, including all conditions and all other applicable conditions, laws and regulations.

**Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

**Sec. 4 PERMIT TERM** - This permit expires on April 30, 2007.

**Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

**Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

- A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,
- B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

**Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.

**Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

- A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;
- B. immediate implementation of measures necessary to comply; and
- C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

**Sec. 9 DISPOSAL OF POLLUTANTS** - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

**Sec. 10 CONDUCT OF OPERATIONS** - The permittee shall conduct its operations:

- A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

**Sec. 11 EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

**Sec. 12 RECLAMATION FEE PAYMENT** - The permittee shall pay all reclamation fees required by 30 CFR part 870 for coal produced under the permit, for sale, transfer or use.

**Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

**Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

**Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

**Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

**Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300.

**Sec. 18 SPECIAL CONDITIONS** - There are special conditions associated with this permitting action attached as Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

**THE STATE OF UTAH**

By: \_\_\_\_\_

Date: \_\_\_\_\_

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

\_\_\_\_\_  
Authorized Representative of the Permittee

Date: \_\_\_\_\_

**ATTACHMENT A**  
**Special Conditions**  
**C/007/0005**

- 1) Canyon Fuel Company, LLC must submit water quality data for the Skyline Mine in an electronic format through the Electronic Data Input web site,  
<http://linux1.ogm.utah.gov/cgi-bin/appx-ogm.cgi>
- 2) Canyon Fuel Company, LLC must continue to submit to the Division all studies and data to update the PHC/MRP as a result of the mine inflows. As water studies are finalized, they must be submitted to the Division within 14 days of completion.
- 3) Canyon Fuel Company, LLC must submit cumulative monthly flow data for discharges into Electric Lake and Eccles Creek. This monthly data must be submitted in the first week of the following month.
- 4) Canyon Fuel Company, LLC may only conduct “development” mining in federal coal lease UTU-67939 until full extraction mining is approved by the Assistant Secretary of Land and Minerals at the Department of Interior.

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